

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AGR-20 COME-00

SWF-02 L-03 H-03 PRS-01 PA-04 USIA-15 IO-14 SP-03

AID-20 NSC-07 RSC-01 CIEP-03 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 INR-11 NSAE-00 EA-11 NEA-14

DRC-01 /227 W

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R 052020Z SEP 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 4647

INFO AMEMBASSY ABIDJAN

AMEMBASSY BRASILIA

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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EO 11652: NA

TAGS: ETRD EAGR CO

SUBJ: COFFEE

REF: A. BOGOTA 6310 NOTAL; B. BOGOTA 7683 NOTAL; C. ABIDJAN
6003 NOTAL

1.COLOMBIAN COFFEE FEDERATION (FEDECAFE) MGR GOMEZ JARAMILLO

ACKNOWLEDGES THAT SINCE REF A SUBMITTED IN MID-JULY, COLOMBIA
DID IN FACT HELP FINANCE, ALONG WITH BRAZIL, COFFEE PURCHASES
IN NEW YORK MARKET BY "OTHSM MILDS" GROUP FOR RESALE IN EUROPE.

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FINANCING CAME FROM FEDECAFE RATHER THAN GOC AS SUCH, AND WAS

SHORT TERM OPERATION NOW TERMINATED. HE CHOSE NOT TO REVEAL EXTENT OF FEDECAFE FINANCING. HE SAID COLOMBIA DID NOT RPT NOT BUY ANY COFFEE ITSELF.

2. VRMEZ JARAMILLO CONFIRMED COFFEE RETENTION SYSTEM REPORTED REF A, SAYING 630,000 BAGS COVERED BY WAREHOUSE RECEIPTS AS NOT HAVING BEEN EXPORTED THIS COFFEE YEAR. NEVERTHELESS COLOMBIAN STOCKS DRAWN DOWN, HE SAID, BY 800,000 TO ONE MILLION BAGS. HE ALLEGES SOME FOUR MILLION BAGS RETAINED FROM EXPORTS WORLD-WIDE, BUT DID NOT SAY HOW MUCH OF THIS IS SHAM RETENTION AS IN COLOMBIAN CASE. HE STRONGLY PREFERS RETENTION DEVICE TO MARKET INTERVENTION AS METHOD FOR INFLUENCING PRICES, BECAUSE RETENTION IS INTERNAL MECHANISM NOT REQUIRING FOREIGN EXCHANGE EXPENDITURE AND CAN BE EASILY VERIFIED WITH DEPOSIT CERTIFICATES.

3. ACCORDING TO GOMEZ JARAMILLO, EARLIER ESTIMATES FOR CURRENT

COFFEE YEAR CROP WERE GREATLY EXAGGERATED. WITH LESS THAN A MONTH REMAINING IN COFFEE YEAR, HE SAYS PRODUCTION WILL BE ONLY ABOUT 8 MILLION BAGS VS EARLIER FORECASTS OF 9.5 MILLION. HE ALSO DISAGREES WITH 1974-75 COFFEE YEAR FORECAST OF 9.5 MILLION BAGS, SAYING COLOMBIAN PRODUCTION WILL MORE LIKELY BE IN 8.5-9 MILLION RANGE. HIS CURRENT FIGURE FOR 1973-74 EXPORTS IS 7.3 MILLION BAGS, STILL AN ALL-TIME COLOMBIAN RECORD, WHICH NECES-SARILY IMPLIES A SUBSTANTIAL DRAWDOWN IN STOCKS AS MENTIONED IN PARA 2.

4. WHILE HE MENTIONED ONCE AGAIN COLOMBIA'S PROPOSED OUTLINE FOR NEW ICA TABLED LAST FEB., HE ALSO VOLUNTEERED THAT SINCE NO PRODUCING COUNTRY (READ BRAZIL) HAS COMMENTED ON THE PROPOSAL, IT COULD NOT YET BE A BASIS FOR SERIOUS NEGOTIATIONS WITH CONSUMERS. HIS ONLY COMMENT ON WEEKEND VISIT BY AFRICAN COFFEE DEL (REF C), DESPITE EMBOFF PROBING, WAS AN EXPRESSION OF INTEREST IN WHAT WASHINGTON'S RESPONSE WOULD BE TO IVORY COAST SUGGESTION OF AN ICA NEGOTIATING CALENDAR FROM OCT TO NEXT MARCH.

5. COMMENT: THIS IS FIRST INSTANCE TO OUR KNOWLEDGE OF COLOMBIAN

PARTICIPATION IN MARKET INTERVENTION. IN SPITE OF GOMEZ JARAMILLO'S PREFERENCE FOR RETENTION TACTIC, WE ASSUME IT COULD LIMITED OFFICIAL USE

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HAPPEN AGAIN ESPECIALLY IF CAFE MUNDIAL EVER GETS OFF THE GROUND. WITH COLOMBIAN STOCKS ESTIMATED AT MORE THAN 4 MILLION BAGS EVEN AFTER CURRENT COFFEE YEAR DRAWDOWN, PRESENT RETENTION SYSTEM OBVIOUSLY TO COLOMBIA'S ADVANTAGE, ALLOWING IT TO REDUCE STOCK OVERHANG, EXPORT RECORD QUANTITIES, AND "RETAIN" POTENTIAL EXPORTS, ALL AT THE SAME TIME.

VAKY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT PROCUREMENT, COFFEE, SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BOGOTA07915
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740247-1137
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740974/aaaackfz.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. BOGOTA 6310 NOTAL; B. BOGOTA 7683
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2002 by kelleyw0>; APPROVED <04 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE
TAGS: ETRD, EAGR, CO, XG, US, FEDECAFE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005